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There will be provisions as well in either the core bill or side deals asking the White House to accept new economic stimulus spending and bankruptcy court relief for homeowners, a legal issue long opposed by bankers yet now championed by leading Senate Democrats as well as Speaker Nancy Pelosi (D-Calif.).

But House Financial Services Committee Chairman Barney Frank (D-Mass.) said he was prepared to move quickly next week in tandem with Senate Banking Committee Chairman Chris Dodd (D-Conn.). And Frank said he has assured Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke that he will publicly support them if they decide that they must take further ad hoc steps before the final package is completed.

"I called Ben and said, 'Just because I'm giving you a new gun, doesn't mean I don't want you to use the one in your holster,'" Frank told Politico.

This assurance reflects the immense sensitivity of the political and market situation, given the turmoil of the past week. While not predicting the need for more ad hoc interventions, a Treasury official said "the markets may not wait for Congress to act." And Paulson, who appears to have encouraged Frank to call Bernanke, is pushing hard for lawmakers to move quickly.

In this spirit, the Treasury draft bill is short and to the point: authorizing purchases of up to \$700 billion in mortgage-related assets at any given time and giving the department sweeping authority for at least two years to carry out the enterprise.

Frank will clearly add more to the dozen sections penned by Paulson's legislative office and delivered to Capitol Hill early Saturday morning. How far he and fellow Democrats can go and not drive off Republican conservatives will be a critical question in the week ahead.

"The Administration has requested that Congress authorize, in very short order, sweeping and unprecedented powers for the Treasury Secretary to confront a financial crisis of historic proportions," Pelosi said in a statement late Saturday. "Democrats will work with the Administration to ensure that our response to events in the financial markets is swift, but we must insulate Main Street from Wall Street and keep people in their homes by reducing mortgage foreclosures

Senate Majority Leader Harry Reid (D., Nev.) followed Pelosi last evening, saying that the "American people have every right to be outraged that we are at this point.

But Reid cautioned "We cannot allow ourselves to be in denial about the threat now facing the world economy. From all indications, that threat is real, and the consequences of inaction could be catastrophic." Reid promised to work with Treasury but asked in turn that the White House and Republicans "work with us to address the crisis facing the middle class. Democrats believe we must provide real relief to working families before we adjourn."

Frank said there is a strong sense that the government should use its leverage to prod investors to be more willing to write down mortgages rather than pursue foreclosures. The massive housing bill approved by Congress this summer held out the promise that the Federal Housing Administration could help a homeowner find government-insured refinancing and such write-downs. But the relief will never be realized unless the financing industry is more willing to come forward and negotiate reductions.

Frank, who has been in phone discussions with Paulson, said the secretary appeared receptive to adding some foreclosure-relief language. The second Democratic proposal — to impose compensation limits on Wall Street executives — is meeting more resistance.

“Hank says it’s a poison pill,” Frank said. “I say I don’t think it’s very patriotic for someone to not give up his golden parachute when we’re trying to save the markets.”

As now drafted, the bill increases the U.S. debt ceiling to \$11.3 trillion to help accommodate the financing arrangement, but further modifications may be needed to ensure that this extra borrowing authority is dedicated to the rescue plan and not eaten up by other spending

All of the purchases would be limited to assets held by financial institutions headquartered in the United States. But Treasury officials said Saturday that this would also apply to American subsidiaries of foreign companies, leading Frank to argue that those governments should also share in the financial commitment now being shouldered by U.S. taxpayers.

Apart from the price tag, the bill is striking in the authority that would be vested in the Treasury Department.

Rather than create a separate entity, as some lawmakers have suggested, Paulson clearly feels that he can move faster alone and asks for power to issue such regulations as needed, appoint employees to carry out the authorities and designate “financial institutions as finance agents of the government.”

The secretary would have the authority to manage the mortgage-related assets purchased by the government and may “at any time, upon terms and conditions and at prices determined” by him “sell or enter into securities loans, repurchase transactions or other financial transactions” in regard to the purchased assets.

The hope remains that, by reselling the assets when the housing and financial markets have recovered, the taxpayers’ exposure will be greatly reduced. And for this reason, the two-year sunset provision does not appear to apply to the department’s authority to hold onto assets after two years, and therefore better manage future sales.

It is possible that Congress could shorten the window for purchases still further in order to

prompt banks to come forward faster with their bad debts. But learning from the experience of the Resolution Trust Corporation in the savings and loan crisis in the late 1980s and early '90s, there is general agreement that the government should have flexibility about selling.

Paulson and Bernanke are slated to appear before the House Financial Services Committee on Wednesday, but that schedule may also be moved up given the pressure to move quickly. And the whole process is extraordinary in that the administration wants such quick action on such a large commitment by taxpayers.

Punctuating this is the fact that the bill has a rather delayed schedule of reporting back to Congress. For example, the first report from Treasury need only be "within three months of the first exercise of the purchase authority." That could mean almost Christmas.

In a conference call with reporters Saturday, Sen. Charles Schumer (D-N.Y.) said there is discussion of creating a "supervisory authority" to report back to Congress on the Treasury bailout program, but he declined to discuss too many details on that effort at this point.

Schumer, who also spoke to Paulson on Saturday, said Congress must move quickly.

"This crisis is very, very serious," Schumer said. "It not only affects Wall Street but all of America — people with credit cards, auto loans, the whole economy."

After a dramatic Capitol meeting Thursday night, Paulson and Bernanke won pledges of bipartisan support. And true to this commitment, House Majority Leader Steny Hoyer (D-Md.) predicted Friday the full House will vote by the end of next week.

At the White House, President Bush said Saturday morning it was "necessary to get something done quickly" and predicted that Congress would do so.

"Look, I'm sure there are some of my friends saying, 'I thought this guy was a market guy —

what happened to him?" Bush said. "Well, my first instinct wasn't to, you know, lay out a huge government plan. My first instinct was to let the market work, until I realized, being briefed by the experts of how significant this problem became. And so, I decided to act and act boldly.

"It turns out that there's a lot of interlinks through the financial system. The system had grown to a point where a lot of people were dependent upon each other and a collapse of one part of the system wouldn't just affect a part of the financial markets, it would affect ... capacity to borrow money, to buy a house or to finance a college loan. It'd affect the ability of a small business to get credit. In other words, the systemic risk was significant and it required a significant response. And Congress understands that and we'll work to get things done as quickly as possible."

Mindful of the huge financial commitment, Hoyer and other Democrats have been careful to underscore the fact that the massive government intervention is very much a "Bush administration" plan that the president and Republicans must own up to politically. And playing to the left in her caucus, Pelosi ended a party conference call Friday with a strong attack on the administration's economic record.

For Republicans, it may be even more complicated, since just days ago many conservatives were in revolt over the government's intervention to shore up the ailing insurance giant, AIG, at a price tag of just \$85 billion. And Paulson has had his own troubles with the House Republican leadership in the past.

But thus far, House Minority Leader John A. Boehner (R-Ohio) has been supportive, and the more interesting tensions have been between different factions on the right.

Rep. Jeb Hensarling, a Texas conservative with leadership ambitions, has been among those most outspoken, skirmishing with Paulson in a party conference phone call. "My fear is that taxpayers will be left with the mother of all debts, the federal government becomes the lender and guarantor of last resort, and our nation finds itself on the slippery slope to socialism," Hensarling said Friday.

But other conservatives have tempered their remarks. "What's going on right now is an education process," said **Rep. John Campbell (R-Calif.)**, who is typically outspoken. "We need

to take dramatic, complete and immediate action."